# Statement of Helen Russ

White House Conference on Aging Solutions Session

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**Good morning and thank you for your invitation. The White House Conference on Aging and the sessions leading up to it serve an important purpose of highlighting issues of importance to both today's and tomorrow's older Americans.**

**And there is no issue more important to both current seniors and soon-to-be seniors than Social Security.**

**AARP views Social Security as a binding obligation to current and future generations of Americans. Social Security needs to be strengthened *now* for our children and grandchildren. But the solution shouldn't be worse than the problem!**

**And private accounts that drain money out of Social Security clearly are not the solution.**

**They would cut guaranteed benefits while passing a huge bill to future generations.**

**Here's the good news – there are *sensible* options. And, by making *sensible* changes now, we can honor our obligations to *all* generations, both present and future.**

**Here are several important points to remember:**

**First, private accounts that divert money from Social Security payroll obligations won't help Social Security's long-term financial solvency and they won't help the future retirement security of today's younger workers.**

**If these accounts were established, benefits to current beneficiaries would still have to be paid. But there would be less revenue due to the diversion of payroll taxes into private accounts.**

**So, *extensive national borrowing* would be required to meet these obligations, resulting in higher interest rates and additional interest payments.**

**This makes no sense given the magnitude of our federal budget deficits.**

**We should all be making use of four pillars to support our retirement security: Social Security; pensions and savings; continued earnings; and health insurance. *But only one is guaranteed,* and that is Social Security.**

**We don't believe in replacing this rock solid guarantee with a risky gamble – a roll of the dice.**

**That said, understand this: AARP is not against private savings and investment accounts when they're funded by the individual, hopefully, his or her employer, or even a government source other than Social Security.**

**Such private accounts can be excellent savings tools, but *in addition to Social Security*, not in place of Social Security.**

**We can and should strengthen pensions and savings to supplement Social Security. Small changes like automatic enrollment in 401(s)s with voluntary "opt out" rather than "opt in" provisions can increase participation in these plans**

**significantly. Similarly, expanding the Saver's Credit and making it refundable could help increase savings for low and middle income families.**

**Under no circumstances should we weaken Social Security by taking money from it to create private accounts.**

**The trust fund will be large enough to pay 100 percent of promised benefits through 2042 – when the youngest of the baby boomers will be 78 years old!**

**After 2042, if no changes are made, fully 70 percent of promised benefits could still be paid. What we need to do now is to take steps to strengthen Social Security's long-term solvency to ensure that full benefits can be paid beyond 2042.**

**I mentioned the importance of making sensible changes now in order to ensure Social Security's long-term solvency – just as we did in the early 80s.**

**Here are just two examples of options we should explore:**

**We can increase the wage base for Social Security contributions. Currently, the maximum wage subject to Social Security payments is $90,000. Raising that cap to $140,000 – phased-in over 10 years – would lower Social Security's projected long-term shortfall by 43 percent.**

**We can also diversify Social Security's Trust Fund investments to increase the likelihood of higher**

**returns. Today, the Trust Fund can only be invested in special Treasury bonds, similar to the Treasury certificates of deposit that you or I can buy. These are safe investments, but the current rate of return is a modest 6 percent.**

**Investing some of these funds in a broad stock index fund – as most other pension systems do – could yield higher returns. This would spread the risk across the whole population and all generations, unlike private accounts.**

**Administrative costs would be far less than they would be for millions of personal accounts. Diversifying investments in this way could lower the expected shortfall by 15 percent.**

**Taken together, just those two steps could lower Social Security's long-term shortfall by more than half. And there are other options are not nearly as risky as gambling with private accounts – options that could strengthen the program even more.**

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